

AMENDED IN SENATE MARCH 29, 2012

SENATE BILL

No. 1259

Introduced by Senator Emmerson

February 23, 2012

An act to amend Section ~~4629~~ 4652.5 of the Welfare and Institutions Code, relating to developmental disabilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 1259, as amended, Emmerson. Developmental disabilities: ~~regional centers; centers.~~

Existing law, the Lanterman Developmental Disabilities Services Act, requires the State Department of Developmental Services to enter into 5-year contracts with regional centers to render specified services. *The act requires an entity receiving payments of \$250,000 or more, but not more than \$500,000, from a regional center to obtain either an independent audit or independent review report of its financial statements for the period. An entity receiving payments of \$500,000 or more is required to obtain an independent audit. Existing law requires a copy of the audit or report to be provided to the vendoring regional center within 30 days of completion of the audit or review.*

~~This bill would make technical, nonsubstantive changes to these provisions~~ *instead require, for fiscal years ending on or after July 1, 2011, that an entity that receives payments of at least \$2,000,000 obtain an independent audit of its financial statements and provide a copy to the vendoring regional center within 9 months of the end of the entity's fiscal year. The bill would also require the department to randomly select entities that are subject to, but fail to meet, the audit requirements and perform a billing audit of the selected entities.*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 4652.5 of the Welfare and Institutions
2 Code is amended to read:

3 4652.5. (a) (1) ~~An~~ For fiscal years ending on or after July 1,
4 2011, an entity ~~receiving that receives~~ payments from one or more
5 regional centers shall contract with an independent accounting
6 firm ~~for to obtain an independent audit or review~~ of its financial
7 statements ~~subject to all of the following:~~

8 ~~(A) When~~ when the amount received from the regional center
9 or regional centers during the entity's fiscal year is ~~more than or~~
10 ~~equal to at a minimum of two hundred fifty thousand million~~ dollars
11 ~~(\$250,000) but less than five hundred thousand dollars (\$500,000);~~
12 the entity shall obtain an independent audit or independent review
13 report of its financial statements for the period. Consistent with
14 Subchapter 21 (commencing with Section 58800) of Title 17 of
15 the California Code of Regulations, this subdivision shall also
16 apply to work activity program providers receiving less than two
17 hundred fifty thousand dollars ~~(\$250,000) (\$2,000,000).~~

18 ~~(B) When the amount received from the regional center or~~
19 ~~regional centers during the entity's fiscal year is equal to or more~~
20 ~~than five hundred thousand dollars (\$500,000), the entity shall~~
21 ~~obtain an independent audit of its financial statements for the~~
22 ~~period.~~

23 (2) This requirement does not apply to payments made using
24 usual and customary rates, as defined by Title 17 of the California
25 Code of Regulations, for services provided by regional centers.

26 (3) This requirement does not apply to state and local
27 governmental agencies, the University of California, or the
28 California State University.

29 (b) An entity subject to subdivision (a) shall provide copies of
30 the independent audit ~~or independent review report~~ required by
31 subdivision (a), and accompanying management letters, to the
32 vending regional center within ~~30 days after completion of the~~
33 ~~audit or review~~ *nine months of the end of the entity's fiscal year*
34 *for which the audit is required.*

1 (c) Regional centers receiving the audit ~~or review~~ reports
2 required by subdivision (b) shall review and require resolution by
3 the entity for issues identified in the report that have an impact on
4 regional center services. Regional centers shall take appropriate
5 action, up to termination of vendorization, for lack of adequate
6 resolution of issues.

7 (d) Regional centers shall notify the department of all qualified
8 opinion reports or reports noting significant issues that directly or
9 indirectly impact regional center services within 30 days after
10 receipt. Notification shall include a plan for resolution of issues.

11 (e) For purposes of this section, an independent ~~review~~ *audit*
12 of financial statements ~~must~~ *shall* be performed by an independent
13 accounting firm and shall cover, at a minimum, all of the following:

14 (1) An inquiry as to the entity's accounting principles and
15 practices and methods used in applying them.

16 (2) An inquiry as to the entity's procedures for recording,
17 classifying, and summarizing transactions and accumulating
18 information.

19 (3) Analytical procedures designed to identify relationships or
20 items that appear to be unusual.

21 (4) An inquiry about budgetary actions taken at meetings of the
22 board of directors or other comparable meetings.

23 (5) An inquiry about whether the financial statements have been
24 properly prepared in conformity with generally accepted accounting
25 principles and whether any events subsequent to the date of the
26 financial statements would have a material effect on the statements
27 under review.

28 (6) Working papers prepared in connection with a review of
29 financial statements describing the items covered as well as any
30 unusual items, including their disposition.

31 ~~(f) For purposes of this section, an independent review report~~
32 ~~shall cover, at a minimum, all of the following:~~

33 ~~(1) Certification that the review was performed in accordance~~
34 ~~with standards established by the American Institute of Certified~~
35 ~~Public Accountants.~~

36 ~~(2) Certification that the statements are the representations of~~
37 ~~management.~~

38 ~~(3) Certification that the review consisted of inquiries and~~
39 ~~analytical procedures that are lesser in scope than those of an audit.~~

1 ~~(4) Certification that the accountant is not aware of any material~~
2 ~~modifications that need to be made to the statements for them to~~
3 ~~be in conformity with generally accepted accounting principles.~~

4 ~~(f) The department shall, in the course of its normal audits,~~
5 ~~randomly select entities that are subject to, but fail to meet the~~
6 ~~requirements of, this section and perform a billing audit.~~

7 ~~(g) The department shall, in the course of its normal audits, not~~
8 ~~consider a request for adjustments to rates submitted in accordance~~
9 ~~with Title 17 of the California Code of Regulations by an entity~~
10 ~~receiving payments from one or more regional centers solely to~~
11 ~~fund either anticipated or unanticipated changes required to comply~~
12 ~~with this section.~~

13 ~~SECTION 1. Section 4629 of the Welfare and Institutions Code~~
14 ~~is amended to read:~~

15 ~~4629. (a) The state shall enter into five-year contracts with~~
16 ~~regional centers, subject to the annual appropriation of funds by~~
17 ~~the Legislature.~~

18 ~~(b) The contracts shall include a provision requiring each~~
19 ~~regional center to render services in accordance with applicable~~
20 ~~provision of state laws and regulations.~~

21 ~~(c) (1) The contracts shall include annual performance~~
22 ~~objectives that shall do both of the following:~~

23 ~~(A) Be specific, measurable, and designed to do all of the~~
24 ~~following:~~

25 ~~(i) Assist consumers to achieve life quality outcomes.~~

26 ~~(ii) Achieve meaningful progress above the current baselines.~~

27 ~~(iii) Develop services and supports identified as necessary to~~
28 ~~meet identified needs.~~

29 ~~(B) Be developed through a public process as described in the~~
30 ~~department's guidelines that includes, but is not limited to, all of~~
31 ~~the following:~~

32 ~~(i) Providing information, in an understandable form, to the~~
33 ~~community about regional center services and supports, including~~
34 ~~budget information and baseline data on services and supports and~~
35 ~~regional center operations.~~

36 ~~(ii) Conducting a public meeting where participants can provide~~
37 ~~input on performance objectives and using focus groups or surveys~~
38 ~~to collect information from the community.~~

39 ~~(iii) Circulating a draft of the performance objectives to the~~
40 ~~community for input prior to presentation at a regional center board~~

1 meeting where additional public input will be taken and considered
2 before adoption of the objectives:

3 (2) ~~In addition to the performance objectives developed pursuant~~
4 ~~to this section, the department may specify in the performance~~
5 ~~contract additional areas of service and support that require~~
6 ~~development or enhancement by the regional center. In determining~~
7 ~~those areas, the department shall consider public comments from~~
8 ~~individuals and organizations within the regional center catchment~~
9 ~~area, the distribution of services and supports within the regional~~
10 ~~center catchment area, and review how the availability of services~~
11 ~~and supports in the regional area catchment area compares with~~
12 ~~other regional center catchment areas.~~

13 (d) ~~Each contract with a regional center shall specify steps to~~
14 ~~be taken to ensure contract compliance, including, but not limited~~
15 ~~to, all of the following:~~

16 (1) ~~Incentives that encourage regional centers to meet or exceed~~
17 ~~performance standards.~~

18 (2) ~~Levels of probationary status for regional centers that do~~
19 ~~not meet, or are at risk of not meeting, performance standards. The~~
20 ~~department shall require that corrective action be taken by any~~
21 ~~regional center that is placed on probation. Corrective action may~~
22 ~~include, but is not limited to, mandated consultation with~~
23 ~~designated representatives of the Association of Regional Center~~
24 ~~Agencies or a management team designated by the department, or~~
25 ~~both. The department shall establish the specific timeline for the~~
26 ~~implementation of corrective action and monitor its~~
27 ~~implementation. When a regional center is placed on probation,~~
28 ~~the department shall provide the appropriate area board with a~~
29 ~~copy of the correction plan, timeline, and any other action taken~~
30 ~~by the department relating to the probationary status of the regional~~
31 ~~center.~~

32 (e) ~~In order to evaluate the regional center's compliance with~~
33 ~~its contract performance objectives and legal obligations related~~
34 ~~to those objectives, the department shall do both of the following:~~

35 (1) ~~Annually assess each regional center's achievement of its~~
36 ~~previous year's objectives and make the assessment, including~~
37 ~~baseline data and performance objectives of the individual regional~~
38 ~~centers, available to the public. The department may make a special~~
39 ~~commendation of the regional centers that have best engaged the~~
40 ~~community in the development of contract performance objectives~~

1 and have made the most meaningful progress in meeting or
2 exceeding contract performance objectives.

3 (2) Monitor the activities of the regional center to ensure
4 compliance with its contracts, including, but not limited to,
5 reviewing all of the following:

6 (A) The regional center's public process for compliance with
7 the procedures sets forth in paragraph (2) of subdivision (c).

8 (B) Each regional center's performance objectives for
9 compliance with the criteria set forth in paragraph (1) of
10 subdivision (c).

11 (C) Any public comments on regional center performance
12 objectives sent to the department or to the regional centers, and
13 soliciting public input on the public process and final performance
14 standards.

15 (f) The renewal of each contract shall be contingent upon
16 compliance with the contract including, but not limited to, the
17 performance objectives, as determined through the department's
18 evaluation.